

The Current State of Regulatory Charges

The trend toward charging for regulatory services has not affected regulatory agencies uniformly. In the case of the SEC, charges exceed budgetary outlays; for the FERC and the NRC, charges are roughly equal to annual outlays; for the FCC, charges cover a substantial portion of outlays; and for the Commodity Futures Trading Commission and the Consumer Product Safety Commission, fees are insignificant. In 1994, the Interstate Commerce Commission's fees covered 16 percent of its outlays; the FTC's fees covered about 30 percent; and the FCC's fees covered nearly 70 percent (see Table 3). The FCC's charges are based largely on authority granted the agency under the Consolidated Omnibus Budget Reconciliation Act of 1985. Before the enactment of that legislation, fees covered less than 1 percent of the FCC's costs. In 1989, fees covered roughly half of the agency's costs. As a result of the increases enacted under OBRA-93, fees now cover more than two-thirds of the agency's outlays. Apart from the substantial increase in FCC fees enacted in OBRA-93, no major changes in policies toward charging for regulatory services occurred between 1991 and 1994.

BENEFIT- AND LIABILITY-BASED TAXES

As sources of funds, dedicated taxes based on benefits and liabilities are less significant than fees. They grew at a rate of 7 percent a year from 1980 to 1991, but leveled off between 1991 and 1994.

Benefit-Based Taxes

Taxes based on benefits amounted to \$24.5 billion in 1994, which in constant dollars was roughly equal to collections in 1991. Benefit-based taxes represented 18 percent of total user charges and constituted 2 percent of federal financial resources in 1994, roughly the same as in 1991. Taxes based on benefits are dedicated to the following trust and special funds: Highway, Airport and Airway, Aquatic Resources, Inland Waterways, and Harbor Maintenance.

The largest share of benefit-based taxes is allocated to the Highway Trust Fund, followed by the Airport and Airway Trust Fund. The Highway Trust Fund, which dates from 1956, still accounts for more revenues than the combination of all other trust and special funds that are financed by user charges. In constant dollars, collections in 1994 were about the same as in 1991. However, in response to an increase in the motor fuels tax enacted under OBRA-90, Highway Trust Fund collections grew between 1990 and 1991. OBRA-90 raised motor fuels taxes by 5 cents a gallon and dedicated half of the increase to the general fund and the remainder to the Highway Trust Fund. Beginning in 1996, revenue from the share of the

increase that is now dedicated to the general fund will be dedicated to the trust fund. The 5-cent-a-gallon increase will remain in effect through 1999, when all Highway Trust Fund taxes are scheduled to expire. (OBRA-93 increased motor fuels taxes by an additional 4.3 cents a gallon. That increase was dedicated to the general fund and is not scheduled to expire.)

The Highway Trust Fund accounts for 75 percent of benefit-based taxes; the Airport and Airway Trust Fund accounts for another 21 percent. The Airport and Airway Trust Fund dates from 1971. In constant dollars, its collections in 1994 were slightly lower than in 1991. Under current law, the Airport and Airway Trust Fund taxes are scheduled to expire after December 31, 1995. Of the \$24.5 billion in benefit taxes collected in 1994, \$18.3 billion went into the Highway Trust Fund and \$5.2 billion into the Airport and Airway Trust Fund (see Table A-8). The other taxes based on benefits amounted to \$1 billion in 1994.

Benefit-Based Taxes as a Source of Transportation Financing

Financing for many transportation programs is appropriated from excise tax trust funds--chiefly from the Highway and Airport and Airway Trust Funds, with smaller amounts from the Inland Waterways Trust Fund, the Harbor Maintenance Trust Fund, and the Boating Safety Account of the Aquatic Resources Trust Fund. Benefit-based excise taxes financed more than 60 percent of the Department of Transportation's outlays in 1994. In recent years, federal spending on highways has approximately equaled revenues from the trust fund.⁶

Charges for aviation services and use of the inland waterways are far below budgetary costs. Federal aviation revenues have consistently been below expenditures. Appropriations from the general fund currently finance about half of the Federal Aviation Administration's operations (including operation of the air traffic control system). Aviation excise taxes finance the remainder, including grants for airport improvements and airway system research, facilities, and equipment. General aviation aircraft pay a fuel tax and registration fees that cover a small portion of the costs that they impose on the system. Revenues from the inland waterway fuel tax currently cover about 20 percent of federal outlays for inland waterway construction. Funds for operating and maintenance expenses come entirely from general tax revenues.

6. For a fuller discussion of transportation trust fund revenues, see Congressional Budget Office, *Paying for Highways, Airways, and Waterways: How Can Users Be Charged?* (May 1992), and Congressional Budget Office, *Reducing the Deficit* (February 1995), pp. 257-260.

Liability-Based Taxes

Taxes based on liabilities have been dedicated to trust funds--Hazardous Substance Superfund, Leaking Underground Storage Tank, Oil Spill Liability, Black Lung Disability, and Vaccine Injury Compensation--that finance compensation for damages to human health or the environment. Starting from a small base, collections of liability-based taxes more than quintupled between 1980 and 1991. Between 1991 and 1994, they declined by 11 percent in real terms to \$2.4 billion, largely because taxes dedicated to the Oil Spill Liability Trust Fund were temporarily suspended on July 1, 1993, when the balance in the fund exceeded the \$1 billion limit on it. The tax was reimposed for the quarter beginning July 1, 1994, but expired at the end of the calendar year. The only trust funds that registered increases in 1994 were the Leaking Underground Storage Tank and Vaccine Injury Compensation (see Table A-8). OBRA-93 extended the vaccine excise tax permanently.

Taxes dedicated to the Superfund, which consist of a corporate environmental tax and excise taxes on petroleum and certain chemicals, are scheduled under current law to expire on December 31, 1995. The corporate environmental tax, initially authorized in 1986, is levied essentially on the income tax base used for the alternative minimum tax (AMT). The tax rate is 0.12 percent; in 1994, the tax raised \$653 million. The Joint Committee on Taxation estimates that extending this tax beyond its 1995 expiration would raise between \$400 and \$500 million a year through 1999. Because of changes to the AMT base adopted in OBRA-93, however, the estimated annual revenue pickup is lower than collections have been in recent years.

Three excise taxes, also initially authorized in 1986, are dedicated to the Hazardous Substance Superfund: a tax on petroleum, imposed at a rate of 9.7 cents per barrel on domestic crude oil either exported or received at a U.S. refinery as well as on imported crude oil and refined products; a tax on listed hazardous chemicals, generally "feedstocks" (production inputs), at various rates per ton; and a tax on imported chemical derivatives (derived from feedstocks and with their own end uses) at rates that provide equivalence with the feedstock tax.

Those three taxes raised more than \$800 million in 1994: the petroleum tax generally raises more than \$500 million per year, the tax on chemical feedstocks about \$300 million, and the tax on chemical derivatives about \$10 million. The budget resolution that the Congress adopted in the summer of 1995 assumes that the taxes will expire, as provided under current law, reducing baseline revenues by close to \$1 billion in 2002.⁷

7. In accordance with section 257(b) of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, CBO's revenue baseline assumes that expiring excise taxes that are dedicated to a trust fund will be extended at the same rates as in current law.

THE OUTLOOK FOR USER CHARGES

Recent developments suggest that user charges are likely to continue growing--despite the possibility of a continued steady decline in real terms in overall collections of rents, royalties, and sales of products. Barring any unexpected downturns, user charge collections in 1995 are likely to be significantly higher than in 1994, if only because they will reflect the results of the auctions of licenses to use the electromagnetic spectrum.

In 1996, user charge collections will reflect the increase in the amount of the motor fuel tax that is dedicated to the Highway Trust Fund and increases in Medicare Part B premiums. Thereafter, the growth of user charge collections will depend on legislative action. Several of the user charges authorized under OBRA-90 and OBRA-93 are scheduled to expire at the end of 1998 or 1999 or, in a few cases, sooner. The fees and taxes scheduled to expire toward the end of the decade include the surcharges on patent and trademark application fees, IRS user fees, tonnage duties, Nuclear Regulatory Commission fees, the annual holding fee assessed on owners of mining claims on public lands, Customs Service user charges, and the increase in the motor fuels tax that is dedicated to the Highway Trust Fund. Taxes dedicated to the Airport and Airway Trust Fund and the Hazardous Substance Superfund expire at the end of calendar year 1995. If user charges scheduled to expire are not extended, collections will fall.

In other areas, the potential for future growth of user charges may be greatest where growth until very recently has been slow. Between 1991 and 1994, the charges levied for regulatory activities were the fastest growing of the various types of fees. But during the same period, the growth in collections of charges for benefits and services other than insurance and postal services accelerated. Those charges include such familiar user fees as charges for data, maps, technical services, publications, entrance fees to national parks and recreation areas--all of which have been and are likely to continue growing. They also include fees for the use of federal land and water resources and for rights to extract natural resources from public property--all of which have been and remain controversial. In those and other areas, such as some transportation services (for example, charges for the use of inland waterways), the federal government has set prices below market value or is not recovering its operating and management costs.

Legislative proposals for changes in land management policies that would result in higher fees for grazing on public lands, royalties for mining of hardrock minerals, and increased charges for federal water resources have been introduced, but none have been enacted. The issues are complicated and difficult to resolve. In the meantime, the need for maintaining national parks and recreational areas, public

rangelands, wetlands, and national forests has grown, along with budgetary shortfalls. Thus, the potential for increased collections is substantial.

APPENDIX: DATA ON FEDERAL USER CHARGES IN 1991 AND 1994

The tables that follow provide data on federal user charges, by type, for 1991 and 1994 in nominal dollars and as a share of federal financial resources. The data are drawn from the *Budget of the United States Government* for fiscal years 1993 and 1996 and the Department of the Treasury's *Annual Report of the United States Government--Appendix* for fiscal years 1991 and 1994.

At times, fees for goods and services are difficult to identify in budget documents. Unpublished data provided by the Department of the Treasury's Financial Management Service provided useful background and helped resolve some questions. In compiling the data, the Congressional Budget Office's objective was to provide a reasonably realistic measure of the magnitude and growth of user charges. The large number and wide range of charges and the absence of a central source of data made absolute accuracy, however desirable, an unrealistic goal.

Because the data in the following tables are in nominal dollars, they exaggerate the real growth (or, in some cases, understate or mask the real decline) of user charge collections. Table A-3, which presents data on user charges in relation to federal financial resources, is an exception. In the text, measures of growth in the collections of user charges from 1991 to 1994 are adjusted for inflation, based on implicit price deflators for gross domestic product.

TABLE A-1. TOTAL USER CHARGES BY TYPE IN 1991 AND 1994
(In millions of dollars)

Charges	1991	1994
Fees		
User Fees		
Benefits and services		
Postal services	42,592	48,412
Insurance premiums	25,855	33,102
Miscellaneous	<u>6,613</u>	<u>9,281</u>
Subtotal	75,060	90,795
Rents, royalties, and sales of products		
Rents, royalties, and bonuses	4,244	4,418
Sales of products	<u>11,507</u>	<u>11,562</u>
Subtotal	15,751	15,980
Total	90,811	106,775
Regulatory Fees	<u>4,056</u>	<u>6,098</u>
Total Fees	94,867	112,873
Taxes		
Benefit-Based	22,612	24,484
Liability-Based	<u>2,510</u>	<u>2,406</u>
Total Taxes	25,122	26,890
Total		
Total User Charges	119,989	139,763

SOURCE: Congressional Budget Office based on data from the *Budget of the United States Government* for fiscal years 1993 and 1996, and *United States Government Annual Report--Appendix* for fiscal years 1991 and 1994.

TABLE A-2. FEDERAL FINANCIAL RESOURCES IN 1991 AND 1994
(In millions of dollars)

Collection	1991	1994
Budget Receipts	1,054,272	1,257,700
User Charges Classified as Offsetting Collections	<u>93,780</u>	<u>111,011</u>
Total	1,148,052	1,368,711

SOURCE: Congressional Budget Office based on data from the *Budget of the United States Government* for fiscal years 1993 and 1996, and *United States Government Annual Report--Appendix* for fiscal years 1991 and 1994.

TABLE A-3. USER CHARGES AS A PERCENTAGE OF FEDERAL FINANCIAL RESOURCES IN 1991 AND 1994

Charges	1991	1994
Fees		
User Fees		
Benefits and services		
Postal services	3.7	3.5
Insurance premiums	2.3	2.4
Miscellaneous	<u>0.6</u>	<u>0.7</u>
Subtotal	6.5	6.6
Rents, royalties, and sales of products		
Rents, royalties, and bonuses	0.4	0.3
Sales of products	<u>1.0</u>	<u>0.8</u>
Subtotal	1.4	1.2
Total	7.9	7.8
Regulatory Fees	<u>0.4</u>	<u>0.4</u>
Total Fees	8.3	8.2
Taxes		
Benefit-Based	2.0	1.8
Liability-Based	<u>0.2</u>	<u>0.2</u>
Total Taxes	2.2	2.0
Total		
Total User Charges	10.5	10.2

SOURCE: Congressional Budget Office based on data from the *Budget of the United States Government* for fiscal years 1993 and 1996, and *United States Government Annual Report--Appendix* for fiscal years 1991 and 1994.

TABLE A-4. INSURANCE CHARGES IN 1991 AND 1994 (In millions of dollars)

Premiums and Other Charges	1991	1994
Depository Institutions	6,586	6,922
Pension Benefit Guaranty Corporation	764	996
Federal Crop Insurance	573	615
FEMA National Flood Insurance Fund	626	793
Office of Personnel Management		
Employee and retiree health benefits	3,453	4,070
Employee life insurance	905	1,066
Department of Veterans Affairs		
National Service Life Insurance	417	335
Servicemen's Group Life Insurance	208	414
Other veteran's insurance (Medical, life, disability, other)	140	118
SMI Premiums Collected for the Aged	10,741	15,212
SMI Premiums Collected for the Disabled	1,066	1,683
HI Premiums for the Uninsured	367	852
Other	<u>7</u>	<u>25</u>
Total	25,855	33,102

SOURCE: Congressional Budget Office based on data from the *Budget of the United States Government* for fiscal years 1993 and 1996, and *United States Government Annual Report--Appendix* for fiscal years 1991 and 1994.

NOTE: FEMA = Federal Emergency Management Agency; SMI = Supplementary Medical Insurance (Part B of Medicare); HI = Hospital Insurance (Part A of Medicare).

TABLE A-5. FEES FOR BENEFITS AND SERVICES, OTHER THAN FOR INSURANCE AND POSTAL SERVICES, IN 1991 AND 1994 (In millions of dollars)

Charges	1991	1994
Land and Natural Resource Management (Agriculture, Army Corps of Engineers, and Interior)		
Forest Service Cooperative Fund	252	266
Contributions and advances, rivers and harbors, Army Corps of Engineers	121	137
Lower and Upper Colorado River Basin development funds	121	188
Recreation, entrance, and user fees (National Park Service, Army Corps of Engineers, Forest Service, and other)	83	106
Grazing fees	14	19
Hardrock mining claim maintenance fee	0	49
Other	303	311
Medical Services and Research (Veterans benefits and Indian Health Service)	413	793
Charges for Uranium Enrichment	1,174	1,325
Fees for Disposal of Nuclear Fuel	605	396
Bureau of Engraving and Printing	340	436
Bureau of the Mint	78	279
Panama Canal Commission Tolls	514	565
Other	<u>2,595</u>	<u>4,411</u>
Total	6,613	9,281

SOURCE: Congressional Budget Office based on data from the *Budget of the United States Government* for fiscal years 1993 and 1996, and *United States Government Annual Report--Appendix* for fiscal years 1991 and 1994.

TABLE A-6. RENTS, ROYALTIES, BONUSES, AND SALES OF PRODUCTS IN 1991
AND 1994 (In millions of dollars)

Charges	1991	1994
Rents, Bonuses, and Royalties		
Outer Continental Shelf	3,150	3,001
Other		
Rents and bonuses	82	354
Royalties	<u>1,012</u>	<u>1,062</u>
Total	4,244	4,418
Sales of Products		
Power and Other Utilities		
Bonneville Power Administration	2,888	3,104
Tennessee Valley Authority	5,565	5,770
Other	<u>676</u>	<u>1,028</u>
Subtotal	9,129	9,902
Timber and Other Natural Land Products	1,042	771
Minerals and Mineral Products	573	412
Sales of Commissary Stores	637	330
Other	<u>125</u>	<u>147</u>
Total	11,507	11,562
Rents, Royalties, Bonuses, and Sales of Products		
Total	15,751	15,980
<p>SOURCE: Congressional Budget Office based on data from the <i>Budget of the United States Government</i> for fiscal years 1993 and 1996, and <i>United States Government Annual Report--Appendix</i> for fiscal years 1991 and 1994.</p>		

TABLE A-7. INSPECTION, LICENSING, AND OTHER REGULATORY FEES IN 1991 AND 1994 (In millions of dollars)

Fees	1991	1994
Budget Receipts		
Immigration, passport, and consular fees	187	386
INS immigration legalization fees	17	1
Registration and filing fees		
Securities and Exchange Commission	222	402
Other	258	90
Internal Revenue Service ruling and determination fees	37	47
Abandoned coal mine reclamation fees	243	244
Other permit and regulatory fees	<u>122</u>	<u>669</u>
Subtotal	1,086	1,839
Offsetting Collections		
INS immigration, user, examination, and land border inspection fees	389	549
Patent and trademark fees and surcharges	344	547
Securities and Exchange Commission	37	191
Nuclear Regulatory Commission	439	500
Food and Drug Administration	3	58
Environmental Protection Agency revolving fund for certification, registration of pesticides, and licensing	18	27
Antitrust premerger filing fees of the Federal Trade Commission and Department of Justice	27	58
Federal Communications Commission fees	48	109
Pipeline safety user fees	11	19
Federal Energy Regulatory Commission fees	123	165
Comptroller of the Currency fees	274	382
Office of Thrift Supervision fees	258	91
Customs Service conveyance, passenger, merchandise processing, and other fees	643	945
Inspection of food and agricultural products	217	246
Other	<u>138</u>	<u>372</u>
Subtotal	2,969	4,259
Total	4,056	6,098

SOURCE: Congressional Budget Office based on data from the *Budget of the United States Government* for fiscal years 1993 and 1996, and *United States Government Annual Report--Appendix* for fiscal years 1991 and 1994.

NOTE: INS = Immigration and Naturalization Service.

TABLE A-8. BENEFIT- AND LIABILITY-BASED TAXES IN 1991 AND 1994
(In millions of dollars)

Tax	1991	1994
Benefit-Based Taxes		
Highway	16,979	18,258
Airport and airway	4,910	5,189
Inland waterways	60	88
Land and water conservation	1	1
Aquatic resources		
Excise taxes	260	301
Customs duties	28	25
Harbor maintenance--customs duties	<u>374</u>	<u>622</u>
Subtotal	22,612	24,484
Liability-Based Taxes		
Black lung disability	651	567
Hazardous Substance Superfund		
Excise taxes	810	807
Corporate income taxes	591	653
Oil spill liability	254	48
Vaccine injury compensation	81	179
Leaking underground storage tank	<u>123</u>	<u>152</u>
Subtotal	2,510	2,406
Total	25,122	26,890

SOURCE: Congressional Budget Office based on data from the *Budget of the United States Government* for fiscal years 1993 and 1996, and *United States Government Annual Report--Appendix* for fiscal years 1991 and 1994.

TABLE A-9. SUMMARY OF USER CHARGES BY CATEGORY OF BUDGET
CLASSIFICATION IN 1991 AND 1994 (In millions of dollars)

Collection	1991	1994
Budget Receipts		
Benefit- and liability-based taxes	25,122	26,890
Fees classified as budget receipts	<u>1,086</u>	<u>1,862</u>
Subtotal	26,208	28,752
Offsetting Collections		
Offsetting receipts	24,639	31,871
Reimbursements to appropriations	<u>69,141</u>	<u>79,140</u>
Subtotal	93,780	111,011
Total User Charges	119,989	139,763

SOURCE: Congressional Budget Office based on data from the *Budget of the United States Government* for fiscal years 1993 and 1996, and *United States Government Annual Report--Appendix* for fiscal years 1991 and 1994.

